Quadra Mining Ltd.
Consolidated Annual Financial Statements
December 31, 2009

(Expressed in thousands of U.S. dollars, except where indicated)

Auditors' Report

To the Shareholders of
Quadra Mining Ltd.

We have audited the consolidated balance sheets of Quadra Mining Ltd. (the "Company") as at December 31, 2009 and 2008 and the consolidated statements of earnings, comprehensive income (loss), changes in shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

(signed) PricewaterhouseCoopers LLP

Chartered Accountants
Vancouver, BC
March 7, 2010

MANAGEMENT'S RESPONSIBLILITY FOR FINANCIAL REPORTING

These consolidated financial statements have been prepared by the management of the Company in accordance with Generally Accepted Accounting Principles in Canada and, where appropriate, reflect management's best estimates and judgments based on currently available information.

The Audit Committee of the Board of Directors, which consists of three independent directors, meets periodically with management and the independent auditors to review the scope and results of the annual audit, and to review the consolidated financial statements and related financial reporting matters prior to submitting the financial statements to the Board for approval.

The Company's independent auditors, who are appointed by the shareholders, conducted an audit in accordance with Canadian Generally Accepted Auditing Standards to allow them to express an opinion on the consolidated financial statements.

A system of internal control is maintained to provide reasonable assurance that financial information is accurate and reliable. Management conducts ongoing reviews of these controls and reports on their findings to the Audit Committee.

Paul Blythe	Stuart McDonald
(signed)	(signed)
Chief Executive Officer	Chief Financial Officer

March 7, 2010

Quadra Mining Ltd.

CONSOLIDATED BALANCE SHEETS

(US Dollars in Thousands)

		December 31, 2009	December 31, 2008
ASSETS			
Current			
Cash and cash equivalents	Note 4	133,208	107,797
Restricted cash	Note 12(a)	4,816	-
Receivables		20,816	19,505
Inventory	Note 5	186,767	88,257
Derivative assets	Note 10	1,333	38,481
Other current assets	Note 6	33,246	23,442
Total Current Assets		380,186	277,482
Mineral properties, plant and equipment	Note 7	780,874	506,921
Environmental trust and bond	Note 8	59,738	55,404
Derivative assets	Note 10	234	-
Other non-current assets		4,595	3,109
Future income tax assets	Note 9	21,398	15,718
Total Assets		1,247,025	858,634
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payable and accrued liabilities		70,998	49,448
Derivative liabilities	Note 10	32,764	6,667
Project debt facility	Note 12(a)	34,166	-
Other current liabilities	Note 11	19,126	10,052
Future income tax liabilities	Note 9	5,841	14,493
Total Current Liabilities		162,895	80,660
Asset retirement obligations	Note 13	50,289	40,969
Obligations under capital leases		-	5,473
Derivative liabilities	Note 10	25,623	-
Other non-current liabilities		2,858	-
Total Liabilities		241,665	127,102
Shareholders' Equity			
Share capital	Note 14(a)	715,261	578,474
Stock options and warrants	Note 14(b),(c)	41,711	35,253
Accumulated other comprehensive income (loss)		9,920	(40,181)
Retained earnings		238,468	157,986
Total Shareholders' Equity		1,005,360	731,532
Total Liabilities and Shareholders' Equity		1,247,025	858,634

Commitments (Note 21), Contingencies (Note 22), Subsequent event (Note 23)

The accompanying notes are an integral part of these financial statements.

Approved by the Board of Directors

(Signed)
William Myckatyn

(Signed)
Gregory Van Staveren

Quadra Mining Ltd.

CONSOLIDATED STATEMENTS OF EARNINGS

(US Dollars in Thousands)

		Year ended December 31, 2009	Year ended December 31, 2008
Revenues	Note 15(a)	459,541	487,501
Cost of sales		248,694	254,511
Carlota start-up inventory adjustment (recovery)	Note 5	(9,652)	15,249
Amortization, depletion and depreciation		27,522	19,071
Accretion of asset retirement obligations	Note 13	4,394	3,377
Royalties and mineral taxes		23,289	34,018
		294,247	326,226
Operating income		165,294	161,275
General and administrative		18,478	16,463
Stock-based compensation	Note 14 (b)	6,786	9,076
Loss (gain) on derivatives	Note 10	54,541	(31,088)
Foreign exchange (gain) loss		(3,093)	3,674
Net interest and other income	Note 16	(3,568)	(4,321)
Loss on settlement of debt	Note 12 (b)	-	15,940
Impairment of Malmbjerg mineral property	Note 7 (e)	-	95,682
Earnings before income taxes		92,150	55,849
Income tax expense	Note 9	11,668	17,240
Earnings for the year		80,482	38,609
Earnings per share			
Basic earnings per share		$ 0.89	$ 0.61
Diluted earnings per share		$ 0.89	$ 0.60
Weighted average shares outstanding - basic		89,986	62,931
Weighted average shares outstanding - diluted		90,680	64,357

The accompanying notes are an integral part of these financial statements.

Quadra Mining Ltd.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(US Dollars in Thousands)

	Year ended December 31, 2009	Year ended December 31, 2008
Net earnings	80,482	38,609
Other comprehensive income (loss)		
Unrealized gain (loss) on marketable securities, net of tax	50,919	(40,181)
Realized gain on marketable securities (Note 16)	(818)	(599)
Total comprehensive income (loss)	130,583	(2,171)

The accompanying notes are an integral part of these financial statements.

Quadra Mining Ltd.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(US Dollars in Thousands)

		Year ended December 31, 2009	Year ended December 31, 2008
Share capital			
Balance - beginning of year		578,474	336,031
Shares issued for cash, net of issue costs	Note 14 (a)	67,842	183,621
Shares issued for Centenario acquisition	Note 3	64,451	-
Shares issued for InterMoly acquisition	Note 14 (a)	-	16,324
Shares issued for water rights acquisition		-	30,171
Shares issued, other		181	-
Stock options exercised		4,313	4,747
Warrants exercised		-	7,580
Balance - end of period		715,261	578,474
Stock options and warrants			
Balance - beginning of year		35,253	27,034
Stock-based compensation	Note 14 (b)	7,167	10,701
Stock options issued for Centenario acquisition	Note 3	314	-
Transfer to share capital for stock options and warrants exercised		(1,023)	(2,482)
Balance - end of period		41,711	35,253
Accumulated other comprehensive loss			
Balance - beginning of year		(40,181)	599
Reversal of realized gain on marketable securities	Note 16	(818)	(599)
Unrealized gain (loss) on marketable securities, net of tax		50,919	(40,181)
Balance - end of period		9,920	(40,181)
Retained earnings			
Balance - beginning of year		157,986	119,377
Earnings for the year		80,482	38,609
Balance - end of year		238,468	157,986
Total shareholders' equity		1,005,360	731,532

The accompanying notes are an integral part of these financial statements.

Quadra Mining Ltd.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(US Dollars in Thousands)

		Year ended December 31, 2009	Year ended December 31, 2008
OPERATING ACTIVITIES			
Earnings for the year		80,482	38,609
Adjustment for items not involving cash from operating activities:			
Stock-based compensation	Note 14 (b (i))	6,341	9,076
Amortization, depletion, depreciation and accretion		31,916	22,448
Carlota start-up inventory adjustment (reversal)	Note 5	(9,652)	15,249
Loss (gain) on derivatives	Note 10	54,541	(31,088)
Future income tax recovery	Note 9	(16,083)	(10,903)
Gain on marketable securities	Note 16	(6,661)	-
Impairment of Malmbjerg mineral property	Note 7 (e)	-	95,682
Loss on settlement of debt		-	15,940
Other		1,007	291
		141,891	155,304
Net changes in non-cash working capital	Note 20	(74,532)	(5,220)
Cash provided from operating activities		**67,359**	**150,084**
INVESTING ACTIVITIES			
Additions to mineral properties, plant and equipment		(154,810)	(288,283)
Cash acquired from Centenario acquistion, net of transaction costs	Note 3	9,049	-
Increase in loan to Centenario		(9,500)	-
Investment in marketable securities	Note 6	(9,243)	(54,557)
Disposition of marketable securities	Note 6	55,374	9,517
Proceeds from settlement of derivatives, net		6,836	8,663
Increase in environmental bond and trust	Note 8	(4,334)	(9,013)
Payment of deferred gold consideration		-	(16,912)
Refund of security deposit		-	14,900
Decrease in other assets		14	759
Cash used in investing activities		**(106,614)**	**(334,926)**
FINANCING ACTIVITIES			
Proceeds from issue of common shares, net of issue costs	Note 14 (a)	70,839	192,960
Increase in project debt facility		33,684	
Proceeds from close out of Centenario derivatives	Note 3	30,656	-
Repayment of Centenario project loan facility	Note 3	(68,966)	-
Decrease in obligations under capital leases		(1,547)	(1,907)
Payment of Senior Credit Facility		-	(150,000)
Payment of loan amendment and prepayment fees		-	(12,000)
Cash provided from financing activities		**64,666**	**29,053**
Net increase (decrease) in cash and cash equivalents during the year		**25,411**	**(155,789)**
Cash and cash equivalents, beginning of year		**107,797**	**263,586**
Cash and cash equivalents, end of year		**133,208**	**107,797**

The accompanying notes are an integral part of these financial statements.

Quadra Mining Ltd.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(US Dollars in Thousands)
Year ended December 31, 2009

1. NATURE OF OPERATIONS

Quadra Mining Ltd. ("Quadra" or the "Company") was incorporated on May 15, 2002 under the British Columbia Company Act and is continued under the British Columbia Business Corporations Act. The Company is in the business of developing and operating mines, with a focus on base metals, particularly copper. In 2004, the Company acquired and restarted the Robinson mine, an open pit copper mine, with gold and molybdenum by-product credits, located in Nevada in the United States. The Company's Carlota mine was acquired as a development project in 2005. Construction of the Carlota mine was completed in 2008 and the sale of copper cathode from the mine commenced in the first quarter of 2009. On April 8, 2009, the Company completed the acquisition of Centenario Copper Corporation ("Centenario") and its 100% owned Franke mine, a heap leach – SX/EW copper operation in northern Chile (Note 3). Quadra completed the mine construction and commenced production at Franke during the fourth quarter of 2009.

The Company also owns an advanced exploration project in Chile ("Sierra Gorda") and the Malmbjerg molybdenum project in Greenland.

2. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). All amounts are presented in thousands of United States dollars unless otherwise indicated. The significant accounting policies are as follows:

a) Basis of consolidation

These consolidated financial statements include the accounts of the Company and its subsidiaries. All subsidiaries are wholly-owned. Intercompany balances and transactions are eliminated on consolidation.

b) Mineral properties, plant and equipment

Mineral properties, plant and equipment are recorded at cost. Mineral property development costs, including exploration, mine construction, and overburden stripping costs, are capitalized until production is achieved, or the property is sold, abandoned or impaired. When the Company incurs debt directly related to the construction of a new operation or major expansion, the related financing costs are capitalized during the construction period.

During the production phase, exploration and development costs resulting in a betterment of the mineral property are capitalized. Stripping costs incurred in the production phase are accounted for as variable production costs. Stripping costs resulting in a betterment of the mineral property by providing access to additional sources of ore are capitalized and amortized as the relevant mineral reserves are mined.

Mineral property acquisition and development costs and plant and buildings are depreciated on a units-of-production basis, based on the expected tonnes of proven and probable reserves to be mined or, for heap leach operations, the expected tonnes of copper cathode to be produced. Other equipment is amortized on a straight line basis over its estimated useful life, generally three to seven years. Depreciation related to production activities is initially recorded in inventory when ore is extracted from the mine. Depreciation is recognized on the statement of earnings in the same period as the revenue from the sale of inventory.

c) Impairment of long-lived assets

The carrying value of long-lived assets, which consist primarily of mineral properties and plant, buildings and equipment, is reviewed regularly and whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. An impairment loss is recognized if the carrying value of an asset exceeds the total undiscounted cash flows expected from its use and disposal. Undiscounted cash flows for mineral properties are based on estimates of future metal prices, proven and probable reserves, estimated value beyond proven and probable reserves, and future operating, capital, and reclamation cost assumptions. An impairment loss would be recorded on the statement of earnings based on the amount by which the carrying amount of the asset exceeds its fair value.

The amount shown for mineral properties represents costs to date and does not necessarily reflect present or future values. Recovery of capitalized costs is dependent upon successful development of economic mining operations or the sale or disposition of mineral properties for amounts at least equal to the Company’s investment therein.

d) Revenue recognition

Sales are recognized and revenues are recorded when the rights and obligations of ownership pass to the customer and the price is reasonably determinable. The majority of the Company's product is sold under pricing arrangements where final prices are determined based on quoted market prices for the refined product in a period subsequent to the date of sale. For sales of concentrates, final pricing is generally determined three to four months after the date of sale. For sales of copper cathode, final pricing is generally determined in the same month as, or the month subsequent to, the date of sale. Revenues are recorded provisionally at the time of sale based on forward prices for the expected date of the final settlement. Subsequent variations in price are recognized as revenue adjustments as they occur until the price is finalized.

e) Inventory

Inventories are comprised of final concentrate products and copper cathodes, leach pad inventory and supplies. All inventory is carried at the lower of cost and net realizable value. The cost of concentrate products, copper cathodes and leach pad inventory includes all direct costs incurred in production including mining, processing, mine site administration costs, freight, stripping costs and amortization, depreciation and depletion charges relating to the production of inventory. Write-downs of inventory to net realizable value are recorded as an operating expense on the statement of earnings. If there is a subsequent increase in the value of inventories, the previous write-downs to net realizable value may be reversed to the extent that the related inventory has not been sold.

Leach pad inventory is comprised of ore that has been extracted from the mine and placed on the heap leach pad for further processing. Costs are removed from leach pad inventory as cathode copper is produced, based on the average cost per recoverable pound of copper in process. The quantity of recoverable copper in process is an engineering estimate which is based on the expected grade and recovery of copper from the ore placed on the leach pad. The nature of the leaching process inherently limits the ability to precisely monitor inventory levels. However, the estimate of recoverable copper placed on the leach pad is reconciled to actual copper production, and the engineering estimates will be refined based on actual results over time.

f) Financial instruments

The Company classifies financial instruments as either available-for-sale, held for trading, or loans and receivables. Financial assets classified as loans and receivables or financial liabilities other than those held for trading, are measured at amortized cost. Available-for-sale instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive income, unless an unrealized loss is considered to be other than temporary in which case the loss is recorded on the statement of earnings for the period. Instruments classified as held for trading are measured at fair value with unrealized gains and losses recognized in the statement of earnings. Transaction costs on financial assets and liabilities classified as other than as held for trading are treated as part of the investment cost.

The Company may, from time to time, use derivative instruments to manage its exposure to commodity prices and foreign exchange movements. Derivative instruments, including embedded derivatives, are recorded at fair value. The Company does not apply hedge accounting and consequently all changes in the fair value of derivatives are recognized in the statements of earnings. Derivatives embedded in non-derivative contracts are recognized separately unless closely related to the host contract.

g) Income taxes

The Company follows the liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are determined based on differences between accounting carrying values and tax bases of assets and liabilities, measured using substantially enacted tax rates and laws that will be in effect when the differences are expected to reverse. Future tax assets are recognized to the extent that they are considered more likely than not to be realized.

h) Foreign currency translation

The United States dollar is considered to be the functional currency of the Company because the Company's products are sold in United States dollars and the majority of the Company's transactions are denominated in United States dollars.

Transactions denominated in currencies other than the United States dollars are translated using the exchange rate in effect on the transaction date or at an average rate. Under this method, monetary items are translated at the rate of exchange in effect at the balance sheet dates. Non-monetary items are translated at the historical rate. Exchange gains or losses on translation are recorded on the consolidated statement of earnings.

i) Asset retirement obligations

The fair value of asset retirement obligations is recognized in the period in which the liability is incurred or acquired and a reasonable estimate of fair value can be made. When a liability is initially recorded, a corresponding increase to the carrying amount of the related asset is recorded.

The liability is increased over time (or "accreted") using the interest rate that was applied in the initial measurement of fair value and the asset is amortized over the estimated life of the related asset. Due to uncertainties concerning environmental remediation, the ultimate cost to the Company of future site restoration could differ from the amounts provided. The estimate of the total liability for future site restoration costs is subject to change based on amendments to laws and regulations and as new information concerning the Company's reclamation obligations becomes available.

j) Earnings per share

Earnings per share is calculated using the weighted average number of shares outstanding during the year. Diluted earnings per share is calculated using the treasury stock method whereby all "in the money" options and warrants are assumed to have been exercised at the beginning of the year and the proceeds from their exercise are assumed to have been used to purchase common shares at the average market price during the year. When a loss has been incurred, basic and diluted loss per share are the same because the exercise of options and warrants would be anti-dilutive.

k) Stock-based compensation

The Company accounts for stock options using the fair value method. The fair value of stock options is estimated at the grant date using the Black-Scholes valuation model and is then amortized over the vesting period of the options granted. Stock-based compensation expense relating to restricted share units is accrued over the vesting period of the units based on the quoted market value of the Company's common shares. As these awards will be settled in cash, the expense and liability are adjusted each reporting period for changes in the underlying share price.

l) Leases

Leases are classified as capital or operating depending on the terms and conditions of the lease agreements. Payments under operating leases are expensed in the period in which they are incurred. Asset values recorded under capital leases are amortized on a straight line basis over the period of expected use. Obligations under capital lease are reduced by lease payments, net of computed interest.

m) Cash equivalents

Cash equivalents consist of highly liquid investments, which are readily convertible into cash with maturities of three months or less when acquired.

n) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. The key estimates relate to impairment of long-lived assets, asset retirement obligations, accounting for income taxes, revenue and trade receivables, inventory valuation, stock-based compensation, and accrued liabilities. Actual results may differ from these estimates.

o) Comparative figures

Certain prior year balances have been reclassified to conform to the current year presentation.

p) Recent accounting pronouncements

The Canadian Institute of Chartered Accountants ("CICA") recently issued three new accounting standards: CICA Handbook Sections 1582 *"Business Combinations"*, 1601 *"Consolidated Financial Statements"* and 1602 *"Non-controlling Interests"*. These three sections will be applied prospectively, effective January 1, 2011. Early adoption is permitted.

Section 1582 "*Business Combinations"* establishes new guidance for how the acquirer recognizes and measures the identifiable assets acquired, the liabilities assumed, the non-controlling interest in the acquiree, the goodwill acquired or the gain from a bargain purchase. This Section also provides additional disclosure requirements for business combinations.

Section 1601 "*Consolidated Financial Statements"* establishes standards for the preparation of consolidated financial statements and Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements after a business combination.

In 2009 the Accounting Standards Board amended CICA handbook Section 3862 "*Financial Instruments – Disclosures"* ("Section 3862"), to require enhanced disclosures – a "fair value hierarchy" that classifies financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair values. The new disclosure requirements of this standard are addressed in Note 18.

3. ACQUISITION OF CENTENARIO

On April 8, 2009 the Company and Centenario completed a plan of arrangement ("Arrangement") under provisions of the Business Corporations Act (British Columbia), whereby Quadra acquired all of the outstanding common shares of Centenario. Under the terms of the Arrangement, the Centenario shareholders received 0.28 of a Quadra common share for each common share of Centenario. Outstanding options to acquire Centenario shares were exchanged for options to acquire Quadra shares, based on the same exchange ratio. A total of 14,368,563 common shares and 574,000 stock options of the Company were issued in exchange for all of the outstanding common shares and stock options of Centenario. Based on the closing Quadra share price on April 8, 2009, the fair value of the consideration, including transaction costs, was $66,892.

The transaction is accounted for as an asset acquisition and the allocation of the purchase price to the assets acquired and liabilities assumed is based on estimated fair values at the time of the closing of the acquisition. The allocation of the purchase price to the estimated fair value of the assets and liabilities of Centenario is as follows:

(US Dollars in Thousands)

Purchase price:	
Common shares issued	64,451
Stock options issued	314
Transaction costs	2,127
Total	66,892

Fair value of assets and liabilites acquired:	
Cash	11,176
Restricted cash	2,497
Receivables and other	4,520
Copper forward sales contracts	30,656
Mineral property, plant and equipment	211,780
Other non-current assets	1,500
Total assets acquired	262,129
Accounts payable and accruals	(80,617)
Project loan facility	(68,966)
Loan payable to Quadra	(9,500)
Long-term supply contract derivative liabilities	(27,257)
Asset retirement obligations	(6,162)
Other non-current liabilities	(2,735)
Total liabilities assumed	(195,237)
Net assets acquired	66,892

In connection with the transaction and to provide Centenario with interim funding to advance the development of the Franke project, the Company issued a $12,500 unsecured convertible loan facility to Centenario in March 2009. The facility was available for drawdown until the completion of the Arrangement and as of April 8, 2009, the Company had advanced $9,500 to Centenario under the facility. The completion of the acquisition extinguished Quadra's outstanding convertible loan to Centenario, and the amounts owing were eliminated on consolidation from April 8, 2009 onwards.

Immediately after completion of the acquisition the Company closed out Centenario's copper forward sales contracts and the cash proceeds of $30,656 were applied to reduce the balance of Centenario's existing project loan facility. Centenario's remaining loan balance of $38,310 was repaid by May 14, 2009.

(US Dollars in Thousands)

4. CASH AND CASH EQUIVALENTS

	2009	2008
Cash deposits, bankers acceptances and term deposits	49,665	80,797
Government money market investments	83,543	27,000
Total	133,208	107,797

Cash equivalents consist of highly liquid investments, which are readily convertible into cash with maturities of three months or less when acquired. At December 31, 2009, the Company's cash and cash equivalents were yielding a weighted average interest rate of 0.1%. At December 31, 2009, the majority of the Company's cash and cash equivalents were denominated in U.S. dollars.

5. INVENTORY

	2009	2008
Copper concentrate	38,936	25,584
Copper cathode	16,604	1,151
Carlota leach pad inventory	88,231	38,839
Franke leach pad inventory	16,778	-
Supplies	26,218	22,683
Total	186,767	88,257

In the fourth quarter of 2008 the Company recorded an adjustment of $15,249 to reduce the carrying value of Carlota's copper cathode and leach pad inventory to net realizable value. During the year ended December 31, 2009 the Company recorded reversals of this inventory adjustment in the amount of $9,652 due to the increase in copper prices and the resulting increase in the net realizable value of Carlota's inventory.

6. OTHER CURRENT ASSETS

	2009	2008
Prepaid expenses	4,833	4,676
Prepaid royalties (Note 7(b))	1,655	4,391
Marketable securities	26,758	14,375
Total other current assets	33,246	23,442

(US Dollars in Thousands)

At December 31, 2008, the Company had available-for-sale marketable securities with a quoted market value of $14,375. At December 31, 2008 the Company had an unrealized loss of $40,181 resulting from the reduction in value of the marketable securities and this unrealized loss was recorded in shareholders' equity as a component of other comprehensive income during 2008. During 2009, the value of these securities increased significantly and the Company sold all of these marketable securities for total proceeds of $55,374, resulting in a realized gain of $818 during the year ended December 31, 2009 (Note 16) and a full recovery of the unrealized loss that was previously recorded in shareholders' equity.

During the fourth quarter of 2009, the Company acquired additional marketable securities, consisting of common shares and warrants of a public mining company, for a total cost of $9,243. Of the total acquisition cost, $6,519 has been allocated to the shares and $2,724 has been allocated to the warrants, based on the relative fair values calculated at the acquisition date. For accounting purposes, the investment in common shares is designated as 'available-for-sale', and the warrants (expiring October 30, 2011) are required to be designated as 'held-for-trading'. At December 31, 2009 the fair value of the common shares, based on their quoted market price, increased to $18,191 resulting in an unrealized gain of $9,921 (net of tax) which has been recorded in shareholders' equity as a component of other comprehensive income. The fair value of the warrants, estimated using a Black-Scholes option pricing model, increased to $8,567, resulting in an unrealized gain of $5,843 which has been recorded in the statements of earnings (Note 16).

7. MINERAL PROPERTIES, PLANT AND EQUIPMENT

	2009	2008
Mineral property acquisition and development costs	510,252	390,954
Stripping costs	17,836	-
Plant, buildings and equipment	396,161	218,426
Equipment under capital leases	11,354	11,354
Asset retirement cost	37,733	31,348
	973,336	652,082
Accumulated depreciation, depletion, amortization and impairment:		
Mineral property acquisition and development costs	(117,080)	(103,031)
Stripping costs	(3,852)	-
Plant, buildings and equipment	(49,832)	(24,737)
Equipment under capital leases	(7,562)	(5,787)
Asset retirement cost	(14,136)	(11,606)
	(192,462)	(145,161)
	780,874	506,921

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(US Dollars in Thousands)
Year ended December 31, 2009

Mineral properties, plant and equipment are allocated by project as follows:

2009

	Cost	Accumulated depreciation, depletion, amortization and impairment	Net book value
Robinson mine (Nevada, U.S.A.) (a)	198,551	(70,773)	127,778
Carlota copper mine (Arizona, U.S.A.) (b)	291,084	(19,699)	271,385
Franke mine (Chile) (c)	237,015	(5,611)	231,404
Sierra Gorda project (Chile) (d)	144,281	(215)	144,066
Malmbjerg molybdenum project (Greenland) (e)	101,897	(95,922)	5,975
Other	508	(242)	266
	973,336	(192,462)	780,874

2008

	Cost	Accumulated depreciation, depletion, amortization and impairment	Net book value
Robinson mine (Nevada, U.S.A.) (a)	159,345	(48,995)	110,350
Carlota copper mine (Arizona, U.S.A.) (b)	263,639	-	263,639
Sierra Gorda project (Chile) (d)	127,871	(123)	127,748
Malmbjerg molybdenum project (Greenland) (e)	100,835	(95,835)	5,000
Other	392	(208)	184
	652,082	(145,161)	506,921

(a) Robinson mine

During 2009, the Company incurred capital expenditures of $21,370 (2008: $47,620) related to mill upgrades and Ruth Pit development works. During 2009, the Company also capitalized $17,836 of stripping costs related to the Ruth pit area of the Robinson mine.

Production at the Robinson Mine is subject to two royalty agreements; a 3% net smelter return royalty payable to Royal Gold Inc. (see Note 8(b)) and a 0.225% net smelter return royalty payable to Franco

Nevada U.S. Corporation. The Franco Nevada royalty agreement also provides for the following additional payments:

(1) A 10% royalty on net smelter returns on 51% of the production of gold from the Robinson Mine in excess of 60,000 ounces per calendar year;

(2) A royalty on 51% of copper production at Robinson in excess of 130 million pounds of copper, payable in any calendar year in which the price of copper exceeds $1.00 per pound at the end of the year (adjusted for inflation from 1990) (the "Trigger Price"), in an amount equal to $0.05 per pound plus 40% of the amount by which the average price of copper for the year exceeds the Trigger Price.

During 2009, the Company incurred royalty expenses of $9,619 and $2,441 pertaining to the Royal Gold and Franco Nevada royalty agreements, respectively (2008: Royal Gold -$13,446; Franco Nevada - $13,476), which have been recorded in the consolidated statements of earnings.

(b) Carlota mine

During 2009, the Company incurred capital expenditures of $27,445 (2008: $102,320) related to the construction of a creek diversion and the acquisition of mining equipment for the Carlota mine.

The Carlota mine is subject to a 5% net smelter return royalty on production from certain mining claims that were previously owned by BHP Copper Inc. During 2009, the Company incurred royalty costs of $3,136 pertaining to the BHP Copper Inc. royalty agreement, and these amounts were applied to reduce the balance of prepaid royalty payments made in previous years. As at December 31, 2009 the Company had remaining prepaid royalty payments of $1,655 pertaining to the BHP Copper Inc. royalty (Note 6).

The Carlota mine is also subject to a royalty agreement on 12 unpatented claims, which provides for a 5% net smelter return royalty. During 2009, the Company exercised a purchase option and acquired this royalty for a payment of $3,000. As a result, no further royalty payments will be made under this agreement.

(c) Franke mine

Since the acquisition of Centenario on April 8, 2009 (Note 3), the Company has incurred $25,235 in development and construction costs related to the Franke project of which $1,457 is capitalized interest associated with the project debt facility (Note 12 (a)). The mine construction was completed in 2009 and production at Franke commenced during the fourth quarter of 2009.

(d) Sierra Gorda

The Sierra Gorda project is comprised of mineral properties acquired under eight option agreements. During 2008, the Company exercised all eight option agreements to obtain a 100% ownership interest in the Sierra Gorda project. Two of the Sierra Gorda option agreements are the subject of litigation (Note

(US Dollars in Thousands)

22). The Company also has three additional option agreements to acquire additional ground contiguous to the Sierra Gorda project for a total purchase price of $4,550 payable over six years, of which $2,225 has been paid to date. During 2009, the Company made total cash payments of $2,436 for the acquisition of land and land option payments.

During 2009, the Company incurred $13,974 (2008 - $19,937) of exploration and development costs on the Sierra Gorda project. In addition, the Company has been acquiring water rights in the region that may be used in the ultimate development of the Sierra Gorda project. During 2008 the Company issued 1,231,916 common shares with a value of $30,171 and made total cash payments of $17,440 for the acquisition of water rights and option payments for additional water rights. No additional water rights have been acquired in 2009.

(e) Malmbjerg molybdenum project

At the end of 2008, the Company reviewed the carrying value of the Malmbjerg mineral property in light of the significant decline in the price of molybdenum during the fourth quarter of 2008 and the ongoing deterioration of global equity and credit markets. As a result of the review, it was determined that the Malmbjerg mineral property was impaired and a write down of $95,682 was recorded in the consolidated statements of earnings, to adjust Malmbjerg's carrying value to an estimated fair value of $5,000. The future income tax liability related to the acquisition of Malmbjerg was also reversed, resulting in a future income tax recovery of $17,798 in the consolidated statements of earnings during 2008.

During 2009, the Company incurred $1,062 of environmental costs on the Malmbjerg molybdenum project (2008 – development costs of $7,099)

8. ENVIRONMENTAL TRUST AND BOND

	2009	2008
Environmental bond - Robinson mine (a)	35,680	31,463
Cash in trust for Robinson reclamation (b)	16,245	16,249
Environmental bond - Carlota mine	7,221	7,125
Environmental bond - other	592	567
Total	59,738	55,404

(a) The Company has posted an environmental bond with the US Bureau of Land Management (BLM). The Company revises the reclamation plan and cost estimate for the Robinson Mine annually as required by the BLM and adjusts the amount of the bond accordingly. During the year ended December 31, 2009, the amount of the bond was increased by $4,217 and during 2008 the bond was increased by $8,287.

(US Dollars in Thousands)

(b) Under the terms of the Kennecott Royalty Agreement that the Company assumed on the acquisition of the Robinson Mine, a 3% net smelter return royalty is payable to Royal Gold Inc. (formerly Kennecott). The agreement required the first royalty payments with accumulated interest to be paid into a trust until such time that $20,000 was available to pay for qualified rehabilitation expenditures on the Robinson mine. As of December 31, 2009, total contributions to the trust were $21,145 and net trust funds available were $16,245.

9. INCOME TAXES

Income tax expense included in the consolidated statements of earnings is as follows:

	2009	2008
Current tax expense	27,751	28,143
Future income tax recovery	(16,083)	(10,903)
Income tax expense	11,668	17,240

The reconciliation of the income taxes calculated at the statutory rates to the Company's effective income tax provision is as follows:

	2009	2008
Applicable statutory rate	30.0%	31.00%
Income tax expense calculated using statutory rate	27,645	17,313
Change in valuation allowance	(2,398)	(1,261)
Depletion allowance	(12,789)	(16,805)
Losses without tax benefits	1,684	11,847
Different tax rates in foreign jurisdictions	8,174	3,283
Franke tax assets not previously recognized	(10,340)	-
Other, net	(308)	2,863
Income expense	11,668	17,240

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(US Dollars in Thousands)
Year ended December 31, 2009

The significant components of the Company's future income tax assets and liabilities as at December 31, 2009 and 2008 are as follows:

	2009	**2008**
Future income tax assets (liabilities) - current:		
Derivative instruments	5,822	(11,550)
Chilean net operating losses	3,407	-
Other	(1,679)	(2,943)
Valuation allowance	(13,391)	-
	(5,841)	(14,493)
Future income tax assets (liabilities) - non-current:		
Mineral properties, plant and equipment	24,079	30,004
Alternative Minimum Tax credits	8,095	17,736
Chilean net operating losses	6,256	-
Other deductible tax pools	11,814	7,529
Valuation allowance	(28,846)	(39,551)
	21,398	15,718

Management believes that uncertainty exists regarding the realization of certain future tax assets and therefore a valuation allowance has been recorded. The Company has not recognized the benefit of U.S. Alternative Minimum Tax credits, the tax basis of Carlota in excess of the acquisition price, and certain non-capital losses.

As of December 31, 2009, the Company had available Alternative Minimum Tax credits of $8,095 which can be carried forward indefinitely and applied to reduce regular taxes payable in the United States. As at December 31, 2009, the Company also had Canadian tax loss carry-forwards of approximately $11,709 that expire in 2026 through 2029.

In addition, the Company also has Chilean tax loss carry-forwards of approximately $60,821 which can be carried forward indefinitely and utilized to offset future taxable income. No valuation allowance has been recorded against these losses.

The Company has foreign subsidiaries that have undistributed earnings. These undistributed earnings are not expected to be repatriated in the foreseeable future and therefore, taxes have not been provided.

(US Dollars in Thousands)

10. DERIVATIVE INSTRUMENTS

Derivative instruments are carried on the balance sheets at fair value and are comprised as follows:

	2009	2008
Copper put options (a)	212	38,481
Franke copper collars and put options (b)	(24,611)	-
Fuel contracts (c)	1,122	(6,667)
Franke long-term supply contracts (d)	(33,777)	-
Interest rate cap	234	-
Total fair value of the derivative instruments	(56,820)	31,814

Derivative instruments are presented in the balance sheets as follows:

	2009	2008
Derivative assets - current	1,333	38,481
Derivative assets - non-current	234	-
Derivative liabilities - current	(32,764)	(6,667)
Derivative liabilities - non-current	(25,623)	-
	(56,820)	31,814

The loss (gain) on derivatives is comprised as follows:

	2009	2008
Copper put options (a)	20,104	(38,369)
Franke copper collars and put options (b)	35,761	-
Fuel contracts (c)	(7,789)	7,152
Franke long-term supply contracts (d)	6,521	-
Interest rate cap	(56)	129
Loss (gain) on derivatives	54,541	(31,088)

(a) Copper Put Options

The Company acquires copper put options to ensure a minimum floor price for a portion of the anticipated copper sales from the Robinson and Carlota mines.

During 2009, the Company purchased copper put options for 150 million pounds of copper at a total cost of $5,126 (2008 – 66 million pounds for $2,465). Under the terms of these derivative contracts, if the average LME copper cash price for the month is less than the strike price, the Company will receive the difference in price for the contracted number of pounds.

(US Dollars in Thousands)

During 2009, a total of 35 million pounds of copper put options purchased in 2008 were exercised and the Company received cash payments of $23,291 from the counterparties (2008 – 21 million pounds for cash proceeds of $11,127). During 2009, a total of 86 million pounds of copper put options expired unexercised (2008 – 159 million pounds). At December 31, 2009, the Company had 64 million pounds of copper puts outstanding with an average strike price of $1.88/lb (2008 – 35 million pounds) and a fair value of $212. The expiry dates of these put options are between January to June 2010.

During 2009, the Company recorded unrealized derivative losses of $20,104 related to the decrease in the fair value of copper put options (2008 – unrealized gain of $38,369).

(b) Franke copper collars and put options

Under the terms of the Franke project debt facility (Note 12(a)), the Company was required to enter into a copper price protection program in order to establish a minimum floor price for a portion of anticipated copper sales from the Franke mine. In May 2009 the Company entered into copper collar contracts at zero cost for 27.6 million pounds of copper and also purchased copper put options for 15 million pounds at a cost of $4,935. During the year ended December 31, 2009, the Company settled 7.8 million pounds of copper collar contracts with cash payments of $6,215. The following table includes a summary of the terms of the contracts which remain outstanding at December 31, 2009:

Expiry	Pounds (millions)	Instrument	Floor price	Cap price	Fair value
January 2010 to June 2010	19.8	Collar	$ 1.79	$ 2.16	(24,726)
July 2010 to December 2010	15.0	Put	$ 1.79		115
Total	34.8				(24,611)

In year ended December 31, 2009, the Company recorded an unrealized derivative loss of $35,761 related to the decrease in the fair value of these copper collars and put options.

c) Fuel Contracts

The Company has entered into NYMEX heating oil futures contracts and collar contracts in order to manage the price risk associated with diesel fuel. The contracts were acquired at no cost but are subject to margin calls. The Company will pay or receive cash based on the difference between the strike price and the actual cost of NYMEX heating oil in the month of settlement. During 2009, the Company entered into contracts for a total of 11.9 million gallons of NYMEX heating oil futures and collars. In 2008, the Company entered into contracts for 7.8 million gallons NYMEX heating oil futures contracts.

During 2009, the Company settled 8.1 million gallons of NYMEX heating oil contracts, resulting in cash payments of $6,246 (2008 - $707), which have been recorded in cost of sales on the statement of earnings.

(US Dollars in Thousands)

At December 31, 2009 the following NYMEX heating oil contracts remain outstanding (December 31, 2008 – 7.2 million gallons):

Expiry	Gallons (millions)	Contract	Fair value
January to December 2010	8.4	Futures, strike price $2.12/gallon	685
January to April 2010	2.5	Collars, cap $2.00/gallon; floor $1.7/gallon	437
Total	10.9		1,122

The Company recorded an unrealized derivative gain of $7,789 for the year ended December 31, 2009 due to the change in the fair value of the fuel contracts (2008 – unrealized loss of $7,152).

(d) Franke long-term supply contracts

On the acquisition of Centenario (Note 3), the Company assumed long-term supply contracts for sulphuric acid and water. The contracted prices for acid and water are subject to adjustment based on the prevailing copper prices. The acid contract has a base price of $27/tonne and requires an additional $2.50/tonne to be paid for each $0.10/lb that the copper price exceeds $1.10/lb. Similarly, the water contract requires that an additional $0.08/cubic metre be paid for each $0.15/lb that copper price exceeds $1.50/lb. The minimum commitment under the contracts is estimated to be $4,050 per annum for acid and $1,060 per annum for water.

These copper price escalation clauses create embedded derivatives in the acid and water supply contracts. As of December 31, 2009, the fair value of the embedded derivative liabilities was $33,777 based on the following significant assumptions:

- Copper price of $3.37/lb. for 2009- 2011, $2.50/lb. for 2012-2013, and $2.00/lb. thereafter
- Discount rate: 15%
- Tax rate: 17%

The increase in the fair value of the embedded derivative liabilities of $6,521 during 2009 was recorded as loss on derivatives on the statements of earnings.

(US Dollars in Thousands)

11. OTHER CURRENT LIABILITIES

	2009	2008
Taxes payable	13,669	8,521
Obligations under capital lease - current portion	5,457	1,531
Total other current liabilities	19,126	10,052

The Company has two capital lease agreements, signed in October 2005 and February 2006, for mining equipment at the Robinson mine. As of December 31, 2009, the minimum lease payments for these two capital lease agreements were $6,068 which included $611 interest.

12. BANK DEBT

(a) Project Debt Facility

On May 14, 2009 Quadra signed an agreement with a syndicate of lenders in which the lenders provided a $37.5 million secured project debt facility to a wholly-owned Chilean subsidiary of the Company. The proceeds of the loan are to be used to fund the development of the Franke project. The facility consists of an amortizing $30 million project finance facility and a $7.5 million working capital facility bearing interest at LIBOR plus 5.75% and 6.75%, respectively. The Company is required to make semi-annual principal payments commencing in March 2010 equal to 67% of the Excess Cash Flow from the Franke Mine. Excess Cash Flow is net of scheduled debt repayments and other adjustments as computed under the terms of the facility agreement. Based on the current copper price and the projected Excess Cash Flow from the Franke Mine, it is expected that the Company will repay the balance of the facility in 2010. Therefore, the facility has been classified as a current liability on the consolidated balance sheet at December 31, 2009.

If there is no Excess Cash Flow, the project loan facility would be repayable with semi-annual principal repayments commencing in March 2010, with a final maturity date in March 2014. The working capital facility is repayable at the final maturity date in March 2014. The principal repayment schedule is as follows:

2010	4,500
2011	7,500
2012	6,000
2013	8,250
2014	11,250
Total	37,500

(US Dollars in Thousands)

The facilities are secured by the assets of the Franke mine and have a parent company guarantee until economic completion, and other terms and conditions customarily associated with project finance facilities including covenants with debt service, loan life and reserve life coverage ratios. The terms of the facility also require the Company to maintain certain balances in restricted accounts representing future interest and principal payments.

The Company is carrying this loan at amortized cost, comprised as follows:

	2009	2008
Project finance facility	30,000	-
Working capital facility	7,500	-
Debt issue costs	(3,816)	-
Cumulative amortization of debt issue costs	482	-
Project debt facility	34,166	-

(b) Senior Credit Facility

On June 9, 2008 the Company repaid its $150 million First Lien Secured Credit Facility. This Credit Facility was scheduled to mature on March 2, 2012 and was bearing interest at LIBOR + 6.5%, payable quarterly. In accordance with the terms of the Credit Facility, the Company paid a prepayment premium of $4,500, representing 3% of the outstanding debt balance. Unamortized costs related to the debt of $11,440 were also expensed at the time of the repayment, resulting in a total loss on settlement of debt of $15,940 in 2008**.**

(US Dollars in Thousands)

13. ASSET RETIREMENT OBLIGATIONS

	2009	2008
Balance at January 1	40,969	37,458
Acquisition of Franke mine (Note 3)	6,162	-
Change in estimated timing and amount of closure costs	223	-
Additions for other mineral properties	-	1,794
Reclamation work done to reduce liability	(1,459)	(1,660)
Accretion	4,394	3,377
Balance at December 31, 2009	50,289	40,969

Asset retirement obligations allocated by mineral properties is as follows:

	2009	2008
Robinson mine	38,977	36,876
Carlota mine	4,533	3,343
Franke mine	6,029	-
Other mineral properties	750	750
	50,289	40,969

As of December 31, 2009, the reclamation cost estimate for the Robinson mine was $85,291 (undiscounted). As of December 31, 2009 the Company had posted environmental bonds and held cash in a reclamation trust totaling $51,925 (Note 8) to secure a portion of the closure costs related to the Robinson mine.

During 2009, the Company updated the reclamation cost estimates for the Carlota mine and increased its estimate of the undiscounted closure costs to $10,400 (2008: $9,901). In assessing the carrying amount for the incremental portion of the asset retirement obligations, the Company used a weighted average credit-adjusted risk-free rate of 13.9% and an estimated inflation rate of 1%, resulting in an additional asset retirement obligation of $729. As of December 31, 2009 the Company had posted environmental bonds of $7,221 (Note 8) to secure a portion of the closure costs related to the Carlota mine.

During 2009, the Company had updated the reclamation cost estimates for the Franke mine to $8,571 (undiscounted). In assessing the carrying amount for the incremental portion of the asset retirement obligations, the Company used a weighted average credit-adjusted risk-free rate of 8.3% and an estimated inflation rate of 4.5%, resulting in a reduction of the asset retirement obligation of $506.

The closure cost estimates are subject to change based on amendments to laws and regulations and as new information concerning the Company's operations becomes available. The Company is not able to determine the impact on its financial position, if any, of environmental laws and regulations that may be enacted in the future.

(US Dollars in Thousands)

14. SHARE CAPITAL

(a) Common Shares

The Company has authorized share capital of 1,000,000,000 common shares (“Shares”) with no par value.

	Number of Shares	Dollar Amount
Balance at January 1, 2008	55,115,736	336,031
Capital stock issued		
Shares issued for cash, net of issue costs (i)	7,966,750	183,621
Shares issued for InterMoly acquisition (ii)	650,529	16,324
Shares issued for water rights acquisition (Note 8 (c))	1,231,916	30,171
Stock options exercised	386,928	3,891
Warrants exercised (iii)	648,888	5,954
Transfer from contributed surplus:		
Stock options and warrants exercised		2,482
Balance at December 31, 2008	66,000,747	578,474
Capital stock issued		
Shares issued for Centenario acquisition (Note 3)	14,368,563	64,451
Shares issued for cash, net of issue costs (iv)	18,630,000	67,842
Stock options exercised	492,420	3,290
Shares issued, other	16,800	181
Transfer from contributed surplus:		
Stock options exercised		1,023
Balance at December 31, 2009	99,508,530	715,261

(i) In June 2008, the Company completed a bought-deal equity financing with a syndicate of underwriters through which the Company issued 7,145,000 common shares at a price of C$24.50 per share for gross proceeds of $171,656 (C$175,053). In connection with this financing, the underwriters were also granted an option to acquire up to an additional 1,071,750 common shares at a price of C$24.50 per share until July 5, 2008. In July 2008, the underwriters exercised a portion of their option and acquired an additional 821,750 common shares for additional gross proceeds of $19,757 (C$20,133).

(ii) During 2008 the Company increased its interest in International Molybdenum Ltd. (“InterMoly”), the owner of the Malmbjerg molybdenum project, in exchange for an additional 650,529 Quadra common shares.

(US Dollars in Thousands)

(iii) During 2008, warrants to purchase 648,888 common shares were exercised. These warrants were issued to lenders in March 2007.

(iv) On April 16, 2009, the Company completed a bought-deal equity financing with a syndicate of underwriters through which the Company issued 16,200,000 common shares at a price of C$4.65 per common share for gross proceeds of $62,275 (C$75,330). The underwriters also exercised an option to acquire an additional 2,430,000 common shares which increased the gross proceeds of the offering to $71,617 (C$86,630).

(b) Stock options and stock-based compensation

(i) Stock Options

The Company has a stock option plan to provide incentives to attract, retain and motivate eligible persons whose present and potential contributions are important to the success of the Company, by offering them an opportunity to participate in the Company's future performance through awards of options. The stock option plan is administered by the Compensation Committee, all of whom are members of the Board of Directors. The total number of shares reserved and available for issuance shall not exceed in the aggregate a number of shares equal to 10% of the issued and outstanding Shares of the Company from time to time. The exercise price per option shall be determined by the Compensation Committee, but such price shall not be less than the closing price of the shares on the TSX on the trading day immediately preceding the day on which the option is granted. The options granted vest over a two year period and expire after five years.

The following table summarizes information relating to stock options outstanding and exercisable at December 31, 2009 (in Canadian dollars):

	Options outstanding			Options exercisable	
Exercise price per share	Number outstanding	Weighted-average remaining contractual life (years)	Weighted-average exercise price C$	Number exercisable	Weighted-average exercise price C$
$3.45 - $7.76	2,000,714	3.68	6.98	842,054	6.98
$8.02 - $11.91	1,054,536	2.39	10.50	884,536	10.51
$12.10 - $15.35	1,937,472	2.86	13.17	1,549,805	13.17
$16.50 - $20.86	804,000	3.06	19.16	707,332	19.16
$20.90 - $24.60	1,240,500	3.36	24.47	838,677	24.47
	7,037,222	3.13	13.70	4,822,404	14.45

(US Dollars in Thousands)

The following tables summarize the stock option activity for the year ending December 31, 2009 and 2008:

	Options	Weighted-average exercise price (C$)
Outstanding at January 1, 2008	3,536,073	11.76
Granted	1,984,000	21.69
Forfeited	(174,868)	18.67
Exercised	(386,928)	10.03
Outstanding at December 31, 2008	4,958,277	15.62
Granted	2,286,000	8.29
Issued for Centenario acquisition	574,000	13.97
Forfeited	(283,635)	15.72
Exercised	(492,420)	7.18
Expired	(5,000)	6.00
Outstanding at December 31, 2009	7,037,222	13.70

During the year ended December 31, 2009, 2,286,000 stock options were granted to directors and employees (2008 – 1,984,000). The weighted-average fair value of these stock options is estimated to be $2.59 each (2008 - $6.20). The total fair value of the stock options granted is amortized over the two year vesting period. The stock-based compensation expense for the year ended December 31, 2009 was $7,167 (2008 - $10,701), $824 of which was capitalized to inventory (2008: $1,625 capitalized to mineral properties).

The fair value of each option is estimated at the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions:

	2009	2008
Expected Volatility	58%	49%
Risk-free interest rate	2%	3%
Expected Life	3.0 years	2.1 years
Dividend Yield	Nil	Nil

Option pricing models require the input of highly subjective assumptions including the expected price volatility and expected life of the options. Changes in these assumptions can materially affect the estimated fair value of options granted.

(US Dollars in Thousands)

(ii) Restricted Stock Units

In July 2009 the Company implemented a Restricted Stock Unit ("RSU") plan as a long term incentive to directors and certain employees in an effort to foster a responsible balance between short-term and long-term results. The RSUs are settled with a cash payment at the time of maturity. The settlement amount for each RSU is equivalent to the average stock price of the Company's common shares in the month before settlement. As of December 31, 2009 the Company had 96,350 RSUs outstanding with a maturity date of May 2010, and 69,350 RSUs outstanding with a maturity date of May 2012.

For accounting purposes, RSUs are valued at their fair market value, and accrued over the vesting period. At December 31, 2009 an accrued liability of $779 has been recorded for outstanding RSUs, of which $443 is included on the statement of earnings as stock-based compensation expense and $336 is including in inventory and cost of sales.

(c) Warrants

The following warrants were outstanding and exercisable at December 31, 2009:

	Common shares to be issued on exercise	Exercise price C$	Expiry date
Traded warrants	5,980,000	20.00	May 9, 2010
Lender warrants	1,297,767	9.24	March 1, 2012
Exercisable at December 31, 2009	7,277,767	18.08	

15. SEGMENTED INFORMATION

The Company's reportable operating segments are individual mine operations and development projects, being Robinson, Carlota, Franke, other mineral properties and Corporate.

The corporate segment is responsible for the evaluation and acquisition of new mineral properties and corporate administration. For year ended December 31, 2009 and 2008, segmented information is presented as follows:

(US Dollars in Thousands)

(a) Revenues

For the year ended December 31, 2009:

	Robinson	Carlota	Franke	Total
Copper revenues	247,069	61,093	20,405	328,567
Gold revenues	86,960	-	-	86,960
Molybdenum revenues	2,156	-	-	2,156
Price adjustments	60,550	-	415	60,965
Refining and treatment charges	(19,107)	-	-	(19,107)
	377,628	61,093	20,820	459,541

For the year ended December 31, 2008:

	Robinson	Carlota	Franke	Total
Copper revenues	501,925	-	-	501,925
Gold revenues	115,406	-	-	115,406
Molybdenum revenues	1,402	-	-	1,402
Price adjustments	(113,836)	-	-	(113,836)
Refining and treatment charges	(17,396)	-	-	(17,396)
	487,501	-	-	487,501

Revenues at Robinson are from concentrate sales and are recorded provisionally at the time of sale based on forward prices for the expected date of the final settlement. Subsequent variations in price are recognized as price adjustments as they occur until the price is finalized. At December 31, 2009, working capital and revenues include 20.1 million pounds of copper which has been provisionally valued at an average price of $3.34 per pound (December 31, 2008 – 43.2 million pounds at $1.33 per pound). Accounts receivable at December 31, 2009 includes an amount for provisional price adjustments of $9,631. The final pricing for these provisionally priced sales is expected to occur between January and March 2010.

(US Dollars in Thousands)

In 2009, the Company had four customers that made up 72% of the total revenue (2008 – 84%):

	2009	2008
Customer 1	58,983	74,351
Customer 2	132,850	138,450
Customer 3	61,940	-
Customer 4	76,277	129,550
Customer 5	-	68,257
Total	330,050	410,608
% of total revenue	72%	84%

(b) Operating income

For the year ended December 31, 2009:

	Robinson	Carlota	Franke	Total
Revenues	377,628	61,093	20,820	459,541
Cost of sales	190,553	43,877	14,264	248,694
Reversal of inventory adjustment	-	(9,652)		(9,652)
Amortization, depletion, depreciation and accretion	24,444	5,385	2,087	31,916
Royalties and mineral taxes	20,153	3,136	-	23,289
Operating income	142,478	18,347	4,469	165,294

For the year ended December 31, 2008:

	Robinson	Carlota	Franke	Total
Revenues	487,501	-	-	487,501
Cost of sales	254,511		-	254,511
Start up inventory adjustment	-	15,249	-	15,249
Amortization, depletion, depreciation and accretion	22,448	-	-	22,448
Royalties and mineral taxes	34,018	-	-	34,018
Operating income	176,524	(15,249)	-	161,275

(US Dollars in Thousands)

(c) Capital expenditures and total assets

For the year ended December 31, 2009:

	Robinson	Carlota	Franke	Other mineral properties	Corporate	Total
Capital expenditures	39,206	27,445	25,235	17,472	116	109,474
Total assets as of December 31, 2009	350,640	373,508	287,986	151,553	83,338	1,247,025

For the year ended December 31, 2008:

	Robinson	Carlota	Franke	Other mineral properties	Corporate	Total
Capital expenditures	49,426	167,676	-	71,147	34	288,283
Total assets as of December 31, 2008	320,903	319,722	-	139,966	78,043	858,634

16. INTEREST AND OTHER (INCOME) EXPENSE

	2009	**2008**
Interest income	(566)	(5,747)
Interest expense	1,790	2,063
Gain on sale of available-for-sale marketable securities (Note 6)	(818)	(1,888)
Unrealized gain on held for trading marketable securities (Note 6)	(5,843)	-
Other	1,869	1,251
	(3,568)	(4,321)

17. MANAGEMENT OF CAPITAL RISK

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the operation and development of mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

In the management of capital, the Company includes the components of shareholders' equity. The Company manages the capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the

Company may issue new common shares, issue new debt, repay debt, and acquire or dispose of assets or investments.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The annual and updated budgets are approved by the Board of Directors.

In order to maximize ongoing development efforts, the Company does not pay out dividends. The Company's investment policy is to invest its cash in highly liquid short-term interest-bearing investments with maturities of three months or less when acquired, selected with regards to the expected timing of expenditures from continuing operations.

18. FINANCIAL INSTRUMENTS

Financial instruments include cash and any contracts that give rise to a financial asset to one party and a financial liability or equity instrument to another party. During 2009, CICA Handbook Section 3862, *"Financial instruments – Disclosures"*, was amended to require disclosures about the classification and fair value of financial instruments, including their classification within a hierarchy that prioritizes the inputs to fair value measurements. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

(US Dollars in Thousands)

As at December 31, 2009, the carrying value and fair value of financial instruments by category are as follows:

							2009
	Held for trading	Loan & receivables	Available for sale	Other financial liabilities	Carrying value	Fair value	Fair value hierarchy level
Financial Assets							
Cash and cash equivalents (Note 4)	133,208	-	-	-	133,208	133,208	Level 1
Restricted cash	4,816	-	-	-	4,816	4,816	Level 1
Receivables	-	20,816	-	-	20,816	20,816	n/a
Warrants (Note 6)	8,567	-	-	-	8,567	8,567	Level 2
Marketable securities (Note 6)	-	-	18,191	-	18,191	18,191	Level 1
Security deposits & prepaid royalty (Note 6, 7)	5,973	-	-	-	5,973	5,973	n/a
Environmental bond & trust (Note 8)	59,738	-	-	-	59,738	59,738	n/a
Derivative assets (Note 10)	1,567	-	-	-	1,567	1,567	Level 1
	213,869	20,816	18,191	-	252,876	252,876	
Financial liabilities							
Payable and accruals	-	-	-	70,998	70,998	70,998	n/a
Obligations under capital lease	-	-	-	5,457	5,457	5,457	n/a
Project debt facility (Note 12 (a))	-	-	-	34,166	34,166	37,500	n/a
Derivative liabilities (Note 10)	24,611				24,611	24,611	Level 1
Franke long-term supply contract (Note 10(d))	33,777	-	-	-	33,777	33,777	Level 2
	58,388	-	-	110,621	169,009	172,343	

As at December 31, 2008, all financial instruments were Level 1 in the fair value hierarchy and their carrying values approximated their fair values

The Company's financial instruments are exposed to certain financial risks, including currency risk, credit risk, liquidity risk, interest rate risk and commodity price risk. These risks are assessed regularly and when appropriate the Company takes steps to mitigate these risks.

(a) Currency risk

The Company's revenues from the sale of copper, gold and molybdenum are denominated in US dollars. The Company's operating expenses are primarily incurred in US dollars and the majority of its assets and liabilities are denominated in US dollars. The operating results and financial position of the Company are reported in US dollars in the Company's consolidated financial statements. However, certain operations of the company have transactions that are denominated in a currency other than US dollars creating currency risk. The Franke mine has some operating expenses and accounts payable denominated in Chilean Pesos. The Company's corporate office is in Canada and therefore most general and administrative expenses are paid in Canadian dollars. In addition, the Company's marketable securities are generally denominated in Canadian dollars. The Company has not entered into any arrangements to hedge currency risks. Accordingly, changes in the exchange rate between US dollars and Chilean Pesos and between US and Canadian dollars would impact the Company's financial statements.

(b) Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's significant counterparty exposures are as follows:

- Sales contracts with its customers; the payment terms of the trade receivables are defined in the contracts and provide for the majority of payments to be made shortly after shipment. The Company manages the credit risk for trade and other receivables through established credit monitoring activities.
- Cash and cash equivalents; the counter-parties primarily consist of banks, governments and government agencies.
- Derivative instruments; the counterparties consist of several large international financial institutions.

The Company monitors the concentration of exposure and where possible, if necessary, takes steps to limit exposures to any one counterparty. The Company does not believe there are any material credit risks at the current time.

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through regular forecasting and the management of its capital structure and financial leverage as described in Note 17. Accounts payable and accrued liabilities, and other current liabilities are due within one year. The payment schedule for the Company's project financing facility is included in Note 12 (a). The Company's long-term supply contracts are described in Note 10 (d).

(d) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

(US Dollars in Thousands)

The risk that the Company will realize a loss as a result of a decline in the fair value of cash and cash equivalents is limited because of their short-term nature and because these investments are generally held to maturity. The Company has a project debt facility that bears interest at a variable rate based on LIBOR (Note 12(a)). The loan is expected to be repaid in 2010 and therefore interest rate risk on this debt facility is limited, and would not have a material impact on Company's financial statements.

(e) Commodity price risk

The value of the Company's mineral resource properties is related to the price of copper and gold and the outlook for these minerals. Copper, gold and molybdenum prices historically have fluctuated widely and are affected by numerous factors outside of the Company's control, including, but not limited to, industrial and retail demand, global economic growth, levels of worldwide mine production, short-term changes in supply and demand related to speculative activities, forward sales by producers and speculators, and other factors.

The profitability of the Company's operations is highly correlated to the market price of copper and gold. In the year ended December 31, 2009, the Company's only source of revenues was from the sale of copper and gold. The Company has acquired copper put options and collars which reduce the copper price risk (Note 10(a) and (b)). If metal prices decline significantly, or for a prolonged period the Company's operations and development projects may not be economically feasible.

In addition, changes in commodity price can have a significant impact on the value of financial instruments, in particular, receivables which include sales that have been provisionally valued, and not yet subject to final pricing. At December 31, 2009, accounts receivable and revenues include approximately 20.1 million pounds of copper that has been provisionally valued at $3.34 per pound. The final pricing of these provisionally priced sales is expected to occur between January 2010 and April 2010. Changes in the price of copper from the amounts used to calculate the provisional values will impact the Company's revenues and working capital position in 2010. The following table summarizes the impact of the change in commodity price on the Company's financial instruments at December 31, 2009 with all other variables held constant:

	A change of :	Would have changed the book value of assets at December 31, 2009 by:	Would have changed net earnings for the year ended December 31, 2009 by:
Copper price (per pound)	$ 0.50		
Receivables		10,053	7,660
Franke long-term supply contracts		11,248	8,571
Copper puts		39,450	30,061

Quadra Mining Ltd.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(US Dollars in Thousands)
Year ended December 31, 2009

19. RELATED PARTY TRANSACTIONS

One of the directors of the Company is a partner of an affiliate of Blake, Cassels & Graydon LLP. During 2009, the Company incurred legal fees of $515 with that entity (2008: $570), which were at normal business terms.

20. SUPPLEMENTARY CASH FLOW INFORMATION

Changes in non-cash working capital consisted of the following:

	2009	2008
Decrease (increase) in receivables	3,096	(5,910)
Increase in inventory	(51,955)	(6,191)
Increase in restricted cash	(2,319)	-
Decrease (increase) in other current assets	2,691	(1,614)
(Decrease) increase in accounts payable and accrued liabilities	(29,734)	14,446
Decrease in other current liabilities	3,689	(5,951)
Net changes in non-cash working capital	(74,532)	(5,220)

Other supplemental information:		
Interest paid	3,107	9,342
Income tax paid	17,429	38,428

21. COMMITMENTS

Commitments not disclosed elsewhere in these financial statements include the following:

(a) Mining contractor

The Franke Mine has an agreement with a mining contractor for the provision of contract mining services until 2016. The minimum commitment under the terms of the agreement is estimated to be $9,200 per annum.

(b) Power contract

Robinson mine has a three year supply contract for electricity. The minimum commitment under the contract is estimated to be $9,000 per annum over the term of the contact which expires in 2012.

(c) Lease

The Company has entered into operating leases for office premises and mobile equipment that provide for minimum annual lease payments of $10,133 in 2010, $7,776 in 2011, $2,033 in 2012 and $587 in 2013.

22. CONTINGENCIES

The Company has been served with four lawsuits that were filed in Chilean Courts against the Company's wholly-owned Chilean subsidiary, Minera Quadra Chile Limitada. These lawsuits were served on August 13, 2007, April 2, 2008, June 20, 2008 and July 10, 2008 and seek to invalidate certain of the 10 option agreements under which the Company acquired mining tenements that comprise a significant part of the Sierra Gorda project. Based on advice of Chilean counsel, Quadra believes that the option agreements are valid and that the lawsuits are without merit. The Company settled one of the four lawsuits in the second quarter of 2009 for less than $0.5 million.

The plaintiffs in the remaining three lawsuits are or were shareholders in the "sociedades legales mineras" (SLM) or legal mining companies that owned certain of the mining tenements that were optioned to the Company in 2004. The Company believes it fully complied with the terms of all 10 option agreements and the plaintiffs accepted all option payments until April 2007. In the first two lawsuits, the plaintiffs are requesting that the option agreements be declared null and void. The plaintiffs in these cases are claiming that the SLMs were not authorized to sell the mining tenements under the option agreements. In the third lawsuit, the plaintiffs argue that if either of the first two lawsuits are successful then further option agreements are invalid by virtue of the fact that the option agreements were intended to be exercised in either all or none of the cases. The Court referred this matter to arbitration and the Company has applied for a declaration from the arbitrator that the third lawsuit is without merit. This arbitration is ongoing.

Although the Company believes, based on advice from Chilean counsel, that the option agreements are valid and that the legal claims are without merit, the outcome is uncertain. These lawsuits are subject to the procedural and substantive laws of Chile and the allegations are based on the actions of the SLM management, in respect of which Quadra has no direct knowledge. The Company is vigorously defending these lawsuits, however, there is no assurance that it will be successful. Furthermore, should the lawsuits not be resolved on a timely basis, the project financing for the Sierra Gorda project could be delayed.

In the unlikely event the Company loses one or both of the first two lawsuits, based on advice from Chilean counsel the precise legal situation is unclear in that:

- The SLMs were dissolved automatically under Chilean law when the mining tenements that are the subject of the lawsuits were sold to the Company. These SLMs would somehow have to be recreated. Based on advice from Chilean counsel, there is no Chilean precedent for this.

- Before the title to the mining tenements that are the subject of the lawsuits are transferred back to the SLMs, Quadra should be entitled to be reimbursed all amounts paid to the plaintiffs and other shareholders under the option agreements.

- The mining tenements that are the subject of the lawsuits comprise an important part of the Company's current plan for the development of the Sierra Gorda project. Given Quadra's other landholdings in the area, the Company believes that it would be very difficult for the plaintiffs in the lawsuits to be able to economically exploit the mining tenements that are the subject of the lawsuits.

In the event the Company loses its application in the third lawsuit for a declaration that the case is without merit, Quadra would retain the mining tenements that are the subject of the lawsuit. The plaintiffs would then have to bring a new lawsuit similar to the first two lawsuits, alleging that the option agreement is invalid.

The Company is aware that the same plaintiffs are attempting to initiate additional lawsuits seeking to declare null and void the option agreements relating to the mineral properties that are already the subject of the first case. However, none of the Company or any of its subsidiaries has of the date hereof been served with any additional legal actions.

23. SUBSEQUENT EVENTS

(a) In the first quarter of 2010, Quadra executed a memorandum of understanding ("MOU") with State Grid International Development Limited ("SGID"), a wholly owned subsidiary of State Grid Corporation of China, for the formation of a joint venture (the "Strategic JV"). The Strategic JV will develop and operate Quadra's Sierra Gorda project and Franke mine and seek to invest in other prospective copper assets, initially in Chile. The parties will be entitled to their proportionate share of the concentrate or cathode production of the Strategic JV on arms-length terms. Quadra shall be responsible for supervising day-to-day operations of the Strategic JV under the oversight and direction of a Board of Directors consisting of an equal number of representatives from both parties. SGID will lead the efforts of the Strategic JV to arrange the necessary project financing with a target of not less than a 60:40 debt equity ratio, subject to a bankable feasibility study and other conditions.

The final detailed structuring of the transaction will be determined before the definitive agreements are signed. Quadra will contribute the Sierra Gorda project and the Franke Mine, representing $900 million in assets, and SGID will contribute capital to each gain a 50% equity interest in the Strategic JV. Thereafter each party can contribute 50% of any further equity requirement to maintain its interest.

In addition, as part of the MOU, SGID and Quadra have agreed to undertake a private placement pursuant to which SGID will subscribe for shares representing approximately 9.9% of Quadra's outstanding shares on a post-subscription basis (approximately 10.9 million shares) at a price of $Cdn 13.91 per share, being the market price of Quadra common shares on the date the Company applied for TSX approval during the course of negotiations. The private placement will be structured as a subscription receipt, with the proceeds to be released to Quadra and the shares to be released to SGID, upon closing of the Strategic JV. Under the MOU, a SGID nominee will be invited to join the Board of Quadra.

The MOU is non-binding except in certain limited respects but establishes the basis for the negotiation of definitive Strategic JV agreements. Execution of definitive agreements is subject to a number of conditions for the benefit of both parties and common to agreements of this nature, including further due diligence and the applicable regulatory and government approvals.

(b) Pursuant to a First Supplemental Agreement dated January 26, 2010 the Company's project finance facility (Note 12 (a)) was increased by $12.5 million, bringing the total facility to $50 million. The additional facility amount is subject to the same repayment terms as the project finance facility, and there are no additional hedging requirements.